



**BURGER · COMER · MAGLIARI**  
**CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Guahan Academy Charter School:

In planning and performing our audit of the financial statements of Guahan Academy Charter School, Inc. (the Academy), as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified. However, in connection with our audit, we identified, and included in the attached *Appendix I*, other matters as of September 30, 2017, that we wish to bring to your attention.

This report is intended solely for the information and use of the Board of Trustees and others within the organization of the Academy, the Office of Public Accountability, the Guam Academy Charter School Council, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the attached comments with you at your convenience.

A handwritten signature in black ink that reads "Burger Comer Magliari".

Tamuning, Guam  
March 10, 2019

## APPENDIX I

### SECTION I – CONTROL DEFICIENCIES

We noted certain matters related to control deficiencies involving the Academy's internal control over financial reporting as of September 30, 2017, that we wish to bring to your attention as follows:

#### 1. Accounting Department

**Observation:** The Accounting Department experienced high employee turnover and is understaffed and lacks sufficient knowledge, skill and training in not-for-profit and governmental accounting.

**Recommendation:** Though existing accounting personnel have adequate accounting experience, training should be obtained to improve their knowledge and skills specific to not-for-profit and governmental accounting.

#### 2. Segregation of Duties

**Observation:** There is a lack of segregation of duties within the Accounting Department. Almost all the accounting duties are performed by one person with no consistent independent monitoring, review and approval of work performed and reports prepared.

**Recommendation:** Management should consider hiring additional accounting personnel in the Accounting Department to properly segregate the accounting functions in the business office. Work performed by and reports prepared by the accountant should be independently reviewed and approved by persons of adequate skill and knowledge as a mitigating internal control.

#### 3. Accounting Policies and Procedures

**Observation:** Accounting policies and procedures are not properly documented.

**Recommendation:** Accounting policies, procedures and practices should be established and documented for internal control over financial reporting. This will offer management the opportunity to eliminate or improve procedures and enhance internal control thereby creating a more efficient and effective accounting system. A well-written accounting manual will aid in training new employees, assist management in delegating and segregating duties, monitoring performance of existing employees, and improving internal control with preventive and detective controls to mitigate the risk of fraud.

#### 4. General Journal Entries

**Observation:** Journal entries prepared by the accountant are not independently reviewed and approved prior to posting to the general ledger.

**Recommendation:** Journal entries along with supporting documentation should be independently reviewed and approved prior to posting such entries in the general ledger.

## APPENDIX I

### 5. Bank Reconciliations

**Observation:** We noted that bank reconciliations are not prepared on a monthly basis and reconciled to the general ledger in a timely manner and independently reviewed.

**Recommendation:** Bank accounts should be reconciled to the general ledger on monthly basis in a timely manner. All monthly bank reconciliations should be independently reviewed and approved.

### 6. Fixed Assets

**Observation:** The fixed assets lapsing schedule was not updated and complete and reconciled to the general ledger.

**Recommendation:** The fixed asset lapsing schedule should be maintained by the Accounting Department and updated and reconciled to general ledger.

### 7. System Backup and Disaster Recovery Plan

**Observation:** The Academy has not established a disaster recovery plan and backup procedures for critical computer system information for administration and support and accounting records. The general ledger and supporting subsidiary ledgers are backed up on a thumb drive and kept by the accountant.

**Recommendation:** A backup is just the copy of data whereas a disaster recovery plan ensures the guarantee of the recover in the event of system failure. A disaster recovery and backup plan for levels of access to restricted information, such as the accounting software, employee payroll database and student data, should be established. Accounting data backups should be kept on a dedicated server or hard drive and properly secured.

### 8. Board Minutes

**Observation:** Official Board meeting minutes were not prepared and approved in a timely manner and readily available. The Board meeting minutes were maintained off-site.

**Recommendation:** All minutes of Board meetings should be prepared and approved in a timely manner and maintained at the Academy.